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C O N F I D E N T I A L TEL AVIV 006373

SIPDIS

E.O. 12958: DECL: 12/15/2014

TAGS: [PGOV](#) [IS](#) [GOI](#) [INTERNAL](#)

SUBJECT: LIKUD-LABOR TALKS STALLED AS BOTH PLAY HARDBALL  
OVER CABINET SEATS

Classified By: Ambassador Daniel C. Kurtzer for reasons 1.4 (b,d).

1. (C) The current snag in Likud-Labor coalition negotiations over which cabinet seats Labor would receive is likely the result of poker game tactics by both sides. Embassy contacts do not expect the snag to prevent a Likud-Labor agreement. Referring to the breakdown in Likud-Labor talks as a "political game," a Labor Party spokesperson, Dana Zaidman, told poloff December 15, that while the two sides have stopped talking, "it is obvious" that Labor and Likud will eventually find a compromise, "most likely early next week." Labor's lower-profile budget demands, including assistance for the elderly, will also be a part of any agreement. Likud MK Yuval Steinitz's Chief of Staff, David Sharan, also assured poloff December 15 that Likud and Labor would "work something out," pointing out that coalition negotiations "are always like this." Or Pearl, advisor to Likud MK Ehud Yatom, echoed this view and noted that negotiations may take a week longer than expected. Pearl reasoned that Labor cannot be seen as "crawling to the coalition," hence it is finding something to fight about. Pearl also stressed that an agreement will be reached because "no one wants elections."

2. (C) Likud reluctantly agreed December 15 to offer Labor the Interior Ministry -- provoking angry reactions from Likud MKs -- but Labor is also demanding Education, Transportation, and Public Security. Labor aide Zaidman expressed skepticism that Labor would enter the coalition without portfolios. Labor MKs Chaim Ramon and Ofir Pines-Paz threatened that Labor, if not offered its preferred portfolios, may insist on joining the coalition without designated portfolios and remain partners only long enough to ensure that disengagement is implemented. Likud staffer Sharan predicted that Labor would eventually settle for the Interior Ministry and several other portfolios, which he did not name.

3. (C) While talks with Labor have stalled, Likud continues to negotiate with United Torah Judaism (UTJ) and Shas over their demands for joining the government. UTJ appears the closest of all the parties to wrapping up a coalition deal with Likud. A Likud negotiating team member claimed to the press that UTJ would likely receive chairmanship of the powerful Knesset Finance Committee if it agrees to join and may also receive a deputy ministerial position in charge of religious affairs, a seat that currently rests in the Prime Minister's office. UTJ may also demand the position of deputy minister in the Housing Ministry. An agreement between Likud and UTJ could be reached this week.

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KURTZER